BRITISH COLUMBIA
The Best Place on Earth

BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 08-11 March 14th, 2008

- **Exports start the year on a strong note, rising 3.0% in January**
- **Housing starts surge ahead in February, building on strong gains at the beginning of the year**
- **New housing price index continues to climb as cost of land rises in Vancouver and Victoria**

The Economy

- **BC product exports began to recover (+3.0% *seasonally adjusted*) in January, following a 10.2% slide in the last month of 2007.** The value of forest (-5.7%) and agriculture & fishing (-2.9%) products shipped from the province were down, but energy exports rebounded 29.1%.

  Exports to the US were up 3.0%, as shipments of industrial & consumer (+1.7%) and machinery & equipment (+4.1%) products south of the border increased. Together, these accounted for about 40% of total US-bound exports. Overseas markets (+3.0%) started the year on a similarly strong note.

  Canadian exports expanded 3.6% in January, the fastest pace of growth in over a year.

  Data Source: Statistics Canada & BC Stats

- **Housing starts in the province surged ahead in February, rising 39.1% (*seasonally adjusted*) on the heels of a strong gain (+14.7%) at the beginning of the year.** Starts in urban areas were up 45.2%, largely due to a continued building boom in multiple-unit dwellings (+70.6%). Starts of single-detached dwellings were down 10.5% in February. Nearly two-thirds of the new housing starts in the province were in the Vancouver CMA, where starts advanced 70.9%, as the number of new multiple-unit building projects nearly doubled (+94.2%).

  Canadian starts rose 15.4% in February, reflecting strong gains in three of the four largest provinces. However, starts were down in Alberta (-2.1%) and the other Prairie provinces.

  Data Source: CMHC

- **The cost of new housing in BC's two largest metropolitan areas continued to rise in January.** In Victoria, new housing prices climbed 1.6% over the same month of 2007, while homebuilders in the Vancouver area received 6.5% more for their projects. New housing prices in Vancouver have been climbing rapidly since the spring of 2001, as the cost of both land and buildings has increased. During most of this period, building costs have been the main source of inflationary pressure, but land prices in Vancouver are starting to rise again. In January, land costs were up 5.4%, while the price of new housing increased 7.0%. In Victoria, the cost of land soared (+11.6%) over January of last year, as building prices continued to decline (-4.2%).

  Nationally, new housing prices were 6.5% higher in January than in the same month of 2007, backed by sustained increases in Saskatchewan. Every metropolitan area, save Windsor, (-0.9%) saw new housing prices rise. Saskatoon (+51.7%) had the largest increase, followed by Regina (+25.9%).*Data Source: Statistics Canada*

- **The value of building permits issued by BC municipalities decreased sharply (-22.4% *seasonally adjusted*) in January, reversing a 16.7% climb in December.** The value of permits eased in Kelowna (-26.7%) and was also lower in Vancouver (-26.1%), where most building activity occurs. On the other hand, building intentions in Abbotsford (+57.4%) and Victoria (+64.1%) were notably higher. Nationally, permits fell 2.9% in January. *Data Source: Statistics Canada*

- **Compared to the same month last year, the value of building permits issued by BC municipalities plunged 25.5% (*unadjusted*) in January, with decreased activity in five regions.** North Coast (-95.7%) posted the most substantial decline, but overall permits were pulled down by drops in Mainland/Southwest (-33.2%) and Vancouver Island/Coast (-12.5%).

Report

Canada and Peru Agree on Free Trade

Did you know...
91% of young Canadian girls enjoy sleepover parties, but nearly two in ten (17%) seem to feel more self-conscious about physical appearance after attending one. *Source: Ipsos Canada*

On the plus side, the biggest surge was in Cariboo (+158.2%), where permits climbed to $9.0 million, up from $3.5 million in January 2007. The jump was largely due to planned spending on commercial buildings, but residential permits were also up sharply. Permits in Thompson/Okanagan (+31.7%) and Nechako (+52.5%) were also significantly higher.

Data Source: Statistics Canada & BC Stats

Exporters

- **The number of Canadian establishments that export their products fell for the second year in 2006.** Some 45,641 establishments were exporters, down 5.0% from 2005. Ontario accounted for 40% of the drop in exporters, followed by BC (27%) and Quebec (16%). Despite the decline in number of establishments exporting merchandise, the total value of their exports rose to a record high of $404 billion in 2006.

  Nearly half (46%) of all exporting establishments are in the manufacturing industry. Wholesalers (23%) account for the second-biggest share of the total, followed by business services (8%) and agriculture, forestry, fishing & hunting and retail trade (each 4%).

  Data Source: Statistics Canada

Business & Finance

- **Businesses in the province owed financial suppliers over $59 billion in 2006, an 11.1% jump over 2005.** Business debt was up in five provinces, with Alberta posting the most substantial increase (+22.1% to $74 billion) over the previous year. With a business debt load of nearly $190 billion, Ontario accounted for approximately 43% of Canada's total business debt outstanding. Commercial financial suppliers, including banks, finance and insurance companies reported that the total debt load of Canadian businesses was in excess of $444 billion in 2006, 10.7% higher than in 2005. Business debt across the country is mainly in the form of loans, mortgages and lines of credit.

  Data Source: Statistics Canada

Canadians Abroad

- **Compared to other destinations, the United States welcomes by far the greatest number of Canadian emigrants.** Between 2000 and 2004, an annual average of 68,900 Canadians departed for the United States. By comparison, approximately 6,100 US residents immigrated to Canada each year during the same period. The United Kingdom is also a popular destination for Canadian immigrants, receiving an average of 8,500 Canadians each year between 2000 and 2004, while sending approximately 5,200 Britons to Canada.

  Data Source: S.C. Cat. #11-008-XWE

The Nation

- **Canadian industries operated at 81.8% of full capacity during the last three months of 2007, hitting the lowest capacity utilization level in over ten years.** Utilization was down for the fourth consecutive quarter with production cooling off in nearly every sector. The appreciation of the Canadian dollar continues to have an impact on the manufacturing sector which, with a decline of -2.1 percentage points over the previous quarter, was a major factor in the overall drop. On an annual basis, capacity utilization last year was 83.3%, down from 84.1% in 2006.

  Data Source: Statistics Canada

- **Labour productivity in Canada's business sector rose 0.5% in 2007, less than half the increase posted in 2006 (+1.1%) and a fifth of the 2.5% gain chalked up in the previous year.** Productivity in the US advanced 1.9%, ending a two-year-long period in which US productivity growth has lagged behind that in Canada.

  In Canada, business sector GDP expanded 2.6% last year, outpacing US economic growth (+2.3%) for the first time in several years. The number of hours worked north of the border (+2.2%) rose substantially more than in the US, which posted only a marginal 0.4% increase during 2007. This suggests that, while more intensive use of labour was a big factor in Canada's economic growth during 2007, in the US technological improvements and the use of capital were more significant factors.

  Data Source: Statistics Canada

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For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

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Originally published in
Exports Issue 07-12

Canada and Peru Agree on Free Trade

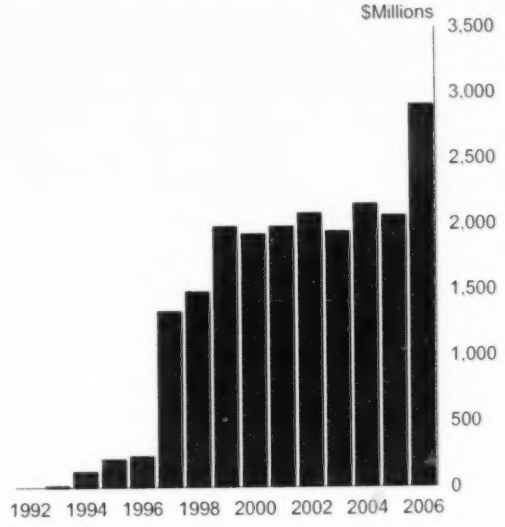
Late in January, Canada and Peru completed negotiations on a free trade agreement. The same day, Canada signed off on an agreement with the European Free Trade Association (EFTA), comprised of Iceland, Liechtenstein, Norway and Switzerland, for which negotiations were completed in June, 2007.[1] These deals signal a shift away from Canada's previous policy of concentrating on a global free trade agreement through the World Trade Organization and show recognition that Canada can no longer afford to stand idly by while other countries, particularly the United States, are busy signing bilateral agreements.

The United States has already signed off on a free trade deal with Peru, with the deal being ratified in December 2007, which has given the US a competitive advantage over Canada in trade with Peru. The Canada-Peru free trade agreement will restore Canada's market access to the South American country and put Canada on an even keel with the United States once again. Unlike the deal with EFTA, which brought protests from some sectors, particularly the Canadian shipbuilding industry, the deal with Peru seems to have universal support.

Canada's wheat growers are particularly supportive of the deal because it will ensure that wheat exports to Peru will remain duty free. Canada shipped $104.6 million worth of wheat to Peru in 2007, which comprised approximately 36% of total Canadian merchandise exports to that country. Other goods that are expected to benefit from the deal include other agricultural products, paper products, and machinery and equipment. Currently, Canada has relatively little trade in services with Peru, but a free trade deal could help boost activity in the service sector as well.

There is a significant amount of foreign direct investment (FDI) by Canadians in Peru, particularly in the mining sector, where Canada is Peru's most important foreign direct investor.[2] Overall Canadian FDI in Peru has mushroomed over the last decade, from virtually nothing in 1992, to $2.9 billion in 2006. In addition to mining, Peru's banking and printing industries also receive significant FDI from Canada. Currently the flow of investment dollars is generally one-way, as Peruvian investment in Canada is minimal.

Canadian foreign direct investment in Peru has grown dramatically over the last decade



Source: Statistics Canada

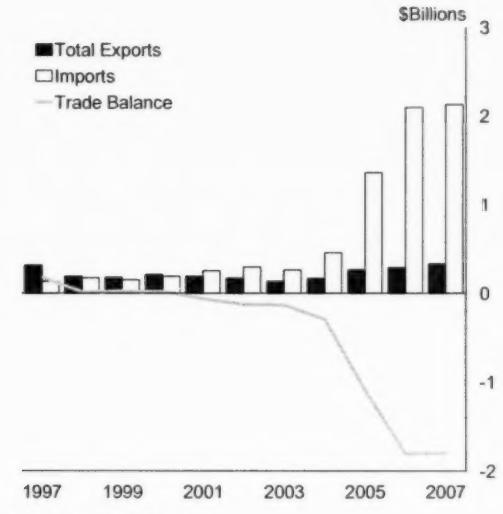
[1] See the article "Canada Weighs Anchor on Free Trade with EFTA" in the July 2007 issue of Exports for more information on the agreement with EFTA.

[2] Source: Foreign Affairs and International Trade Canada.

The free trade agreement will guarantee Canadian investors a secure environment for investment, which is why Canada's mining sector has hailed the agreement as a positive development. Canadians are major players in Peru's mining industry, whether in exploration, development or actual mine operation and, as a result, the Canadian industry has a substantial stake in ensuring a stable investment climate between Canada and Peru.

For Peru, the free trade deal is seen as an opportunity to diversify its export markets. Canadian imports from Peru have already taken off in recent years, jumping from less than $0.3 billion in 2003 to over $2 billion in 2007. Canadian exports to Peru have grown significantly slower, such that Canada now has a substantial trade deficit with Peru of about $1.8 billion.

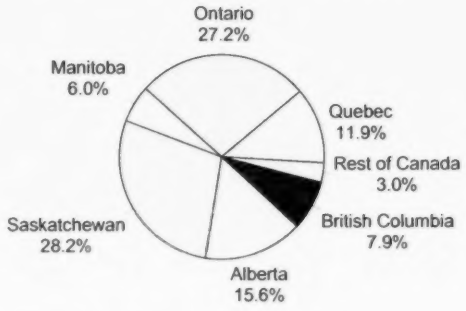
Imports from Peru into Canada have soared in recent years, while Canadian exports to Peru have experienced a much smaller increase



Source: Statistics Canada

Over half of Canada's exports to Peru in 2007 originated in either Ontario or Saskatchewan. Exports from Saskatchewan were primarily agricultural products, particularly wheat, lentils and peas. For Ontario, the top merchandise exports were mainly comprised of machinery and equipment, although cotton yarn was also a significant export.

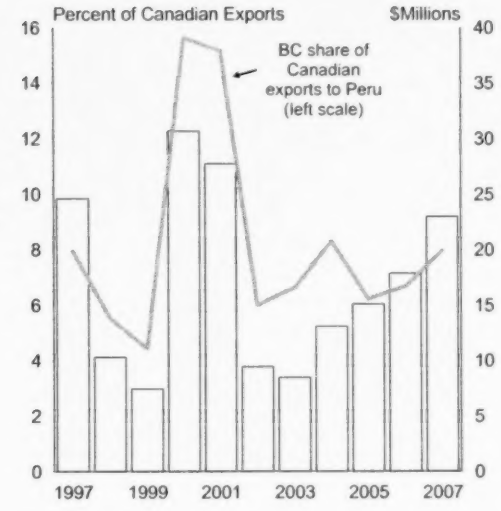
Ontario and Saskatchewan were the main provinces exporting to Peru in 2007



Source: Statistics Canada

British Columbia was the source of 8% of Canada's commodity exports to Peru in 2007. With the value of BC's goods exports to Peru never exceeding $31 million over the last decade, it is fairly clear that Peru has not been one of BC's primary export destinations. At first blush, it might appear that the province has little to gain from a free trade deal with the South American country, but this is not necessarily the case. First of all, British Columbia is home to several mining companies that have interests in Peru. As such, the FDI provisions in the trade agreement are of interest to these companies and others looking to invest in Peru. Additionally, there will be new opportunities for exporters of both goods and services that were previously either unavailable or not financially feasible due to tariffs and other constraints.

Peru has not been a top destination for exports from British Columbia



Source: Statistics Canada

BC's top exports to Peru in 2007 included paper products and machinery and equipment. The current Peruvian tariff on paper is 12%, while tariffs on machinery and equipment range from 4 to 12%.[3] In the free trade agreement between the United States and Peru, the tariff on paper will be removed immediately, while the tariffs on machinery and equipment will be removed immediately for some goods and by the end of seven years for all machinery and equipment. It is clear that without a free trade agreement British Columbia and other Canadian exporters would be at a competitive disadvantage compared to their American peers. The removal of the tariffs will ensure that Canadian exporters of goods and services have a level playing field with their competitors in other countries and could also open up new markets for Canadian goods and services in Peru. Goods and services that are currently subject to tariffs or other trade barriers could become a viable export as a result of the trade agreement.

[3]Source: Foreign Affairs and International Trade Canada.

Given the emphasis on trade in BC's economy, as well as the economy of the nation as a whole, free trade agreements such as the one with Peru are important elements of economic policy. The deal with Peru will:

- give Canadian exporters the same access to markets in Peru as competitors that have already signed free trade agreements
- remove tariffs and other barriers that have limited Canadian trade in goods and services and possibly open up new markets for Canadian companies
- provide security for Canadian investors and open up new opportunities for investment
- offer more variety of goods for Canadian consumers at reduced prices

In addition, the deal with Peru could help Canada in its negotiations with other South American countries such as Ecuador and Bolivia, as well as negotitations with countries in Central America and the Caribbean nations. While a global free trade agreement is still the preferred option, it appears more likely that such an agreement may take several years to transpire, if ever. In the meantime, if Canada is to remain competitive it must secure access to world markets and the deals with Peru and EFTA are a good start in that direction.

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Email transmission information service from BC Stats

also on the **Internet** at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Oct 1/07	% change on one year ago
BC	4,402.9	1.5
Canada	33,091.2	1.0
GDP and INCOME (Revised Nov 8)		
(BC - at market prices)	2006	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	180,328	6.4
GDP *($ 2002 millions)*	158,335	3.3
GDP *($ 2002 per Capita)*	36,649	1.9
Personal Disposable Income *($ 1997 per Capita)*	23,996	5.0
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Dec	3,395	-0.9
Merchandise Exports - Jan	2,339	3.0
Retail Sales - Dec	4,818	1.1
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Jan 2008)	one year ago	% change
BC	0.8	1.6
Vancouver	1.1	1.9
Victoria	0.3	1.0
Canada	2.2	2.2
LABOUR FORCE (thousands)		
(seasonally adjusted)	Feb '08	% change on prev. month
Labour Force - BC	2,403	0.0
Employed - BC	2,303	-0.1
Unemployed - BC	99	1.6
		Jan '08
Unemployment Rate - BC *(percent)*	4.1	4.1
Unemployment Rate - Canada *(percent)*	5.8	5.8
INTEREST RATES (percent)	Mar 12/08	Mar 14/07
Prime Business Rate	5.25	6.00
Conventional Mortgages - 1 year	7.25	6.40
- 5 year	7.29	6.49
US-CANADA EXCHANGE RATE	Mar 12/08	Mar 14/07
(avg. noon spot rate) Cdn $ per US $	0.9897	1.1754
(closing rate) US $ per Cdn $	1.0099	0.8506
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Feb '08	% change on one year ago
BC	766.55	3.1
Canada	770.29	5.0

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

High Technology - 2007

Input Indicators of the British Columbia High Technology Sector - 2007 Edition

This publication highlights conditions affecting the province's high technology sector from a supply-side perspective by tracking 37 business and economic climate indicators for BC, with comparisons to other provinces.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp#HTpubs

Topic Tables – 2006 Census

What are the top languages spoken at home in your community? Where were a community's immigrants born? A different approach.

www.bcstats.gov.bc.ca/data/cen06/topics/topics.asp

2007 Municipal Populations

Total population for municipalities and Regional Districts for July 1, 2007, as well as revised figures for 2002 to 2006, are now online.

www.bcstats.gov.bc.ca/data/pop/pop/estspop.asp

Area Profiles

There is a new link in the **RESOURCES** tab found at the bottom of our left sidebar. This page acts as a gateway to all our area profile products. Each profile paints a statistical picture of an area using maps, charts, tables, rankings, comparisons, and more. Eight thousand individual files are available now.

www.bcstats.gov.bc.ca/data/dd/profiles.asp

Released this week by BC Stats

- Exports, January 2008

• Next week

- Consumer Price Index, February 2008

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